

**Report on Countries
that are Candidates
for Millennium
Challenge Account
Eligibility for Fiscal
Year 2015 and
Countries that
would be
Candidates but for
Legal Prohibitions**



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Summary

This report to Congress is provided in accordance with section 608(a) of the Millennium Challenge Act of 2003, as amended, 22 U.S.C. §§7701, 7707(a) (the Act).

The Act authorizes the provision of Millennium Challenge Account (MCA) assistance for countries that enter into a Millennium Challenge Compact with the United States to support policies and programs that advance the progress of such countries to achieve lasting economic growth and poverty reduction. The Act requires the Millennium Challenge Corporation (MCC) to take a number of steps in selecting countries with which MCC will seek to enter into a compact, including determining the countries that will be eligible for MCA assistance for fiscal year (FY) 2015 based on (a) a country's demonstrated commitment to (i) just and democratic governance, (ii) economic freedom, and (iii) investments in its people; and (b) considering the opportunity to reduce poverty and generate economic growth in the country; and (c) the availability of funds to MCC. These steps include the submission of reports to the congressional committees specified in the Act and the publication of notices in the Federal Register that identify:

- The countries that are “candidate countries” for MCA assistance for FY 2015 based on their per capita income levels and their eligibility to receive assistance under U.S. law and countries that would be candidate countries but for specified legal prohibitions on assistance (section 608(a) of the Act);
- The criteria and methodology that the MCC Board of Directors (Board) will use to measure and evaluate the relative policy performance of the “candidate countries” consistent with the requirements of subsections (a) and (b) of section 607 of the Act in order to determine “eligible countries” from among the “candidate countries” (section 608(b) of the Act); and
- The list of countries determined by the Board to be “eligible countries” for FY 2015, identification of such countries with which the Board will seek to enter into compacts, and a justification for such eligibility determination and selection for compact negotiation (section 608(d) of the Act).

This report is the first of three required reports listed above.

Candidate Countries for FY 2015

The Act requires the identification of all countries that are candidates for MCA assistance for FY 2015 and the identification of all countries that would be candidate countries but for specified legal prohibitions on assistance. Under the terms of the Act, sections 606(a) and (b) set forth the two income tests countries must satisfy to be candidates for MCA assistance.¹ However for FY 2014, those categories are defined by MCC's FY 2014 appropriations act, the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2014, Pub L. 113-76, Div. K (the FY 2014 SFOAA). Specifically, the FY 2014 SFOAA used the same definitions that have been used since the FY 2012 appropriations act and defines low income candidate countries as the 75 poorest countries as identified by the World Bank and

provided that a country that changes during the fiscal year from low income to lower middle income (or vice versa) will retain its candidacy status in its former income category for the fiscal year and two subsequent fiscal years. Assuming these definitions will be used again in FY 2015, MCC is using them for purposes of this report.²

Under the redefined categories, a country will be a candidate for MCA assistance for FY 2015 if it:

- Meets one of the following tests:
 - Has a per capita income that is not greater than the World Bank's lower middle income country threshold for such fiscal year (\$4,125 GNI per capita for FY 2015); and is among the 75 lowest per capita income countries, as identified by the World Bank; or
 - Has a per capita income that is not greater than the World Bank's lower middle income country threshold for such fiscal year (\$4,125 GNI per capita for FY 2015); but is not among the 75 lowest per capita income countries as identified by the World Bank;
- And
 - Is not ineligible to receive U.S. economic assistance under part I of the Foreign Assistance Act of 1961, as amended (the Foreign Assistance Act), by reason of the application of the Foreign Assistance Act or any other provision of law.

Due to the provisions requiring countries to retain their former income classification for three fiscal years, changes from the low income to lower middle income categories or vice versa for FY 2015 will go into effect for FY 2018. Countries transitioning to the upper middle income category do not retain their former income classification.³

Pursuant to section 606(c) of the Act, the Board identified the following countries as candidate countries under the Act for FY 2015. In so doing, the Board referred to the prohibitions on assistance to countries for FY 2014 under the FY 2014 SFOAA.

Candidate Countries: Low Income Category

1. Afghanistan
2. Bangladesh
3. Benin
4. Bhutan
5. Burkina Faso
6. Burundi
7. Cameroon
8. Central African Republic
9. Chad
10. Comoros
11. Congo, Democratic Republic of
12. Congo, Republic of the
13. Cote d'Ivoire
14. Djibouti
15. Egypt⁴
16. Ethiopia

17. Gambia, The
18. Georgia
19. Ghana
20. Guatemala
21. Guinea
22. Guinea-Bissau
23. Haiti
24. Honduras
25. India
26. Indonesia
27. Kenya
28. Kiribati
29. Kyrgyz Republic
30. Laos
31. Lesotho
32. Liberia
33. Madagascar
34. Malawi
35. Mali
36. Mauritania
37. Micronesia
38. Moldova
39. Mongolia
40. Mozambique
41. Nepal
42. Nicaragua
43. Niger
44. Nigeria
45. Pakistan
46. Papua New Guinea
47. Philippines
48. Rwanda
49. Sao Tome and Principe
50. Senegal
51. Sierra Leone
52. Solomon Islands
53. Somalia
54. South Sudan
55. Sri Lanka
56. Swaziland
57. Tajikistan
58. Tanzania
59. Timor-Leste
60. Togo
61. Uganda
62. Uzbekistan
63. Vanuatu
64. Vietnam

65. Yemen
66. Zambia

Candidate Countries: Lower Middle Income Category

1. Armenia
2. Cabo Verde
3. El Salvador
4. Guyana
5. Kosovo
6. Morocco
7. Paraguay
8. Samoa
9. Ukraine

Countries that Would Be Candidate Countries but for Legal Provisions that Prohibit Assistance

Countries that would be considered candidate countries for FY 2015 but are ineligible to receive United States economic assistance under part I of the Foreign Assistance Act by reason of the application of any provision of the Foreign Assistance Act or any other provision of law are listed below. This list is based on legal prohibitions against economic assistance that apply as of July 22, 2014.

Prohibited Countries: Low Income Category

- **Bolivia** is subject to foreign assistance restrictions pursuant to section 706(3) of the Foreign Relations Authorization Act, 2003 (P.L. 107-228), relating to international drug control certification procedures.
- **Burma** is subject to foreign assistance restrictions, including restrictions pursuant to section 570 of the FY 1997 Foreign Operations, Export Financing, and Related Programs Appropriations Act (P.L. 104-208) which prohibits assistance to the government of Burma until it makes measurable and substantial progress in improving human rights practices and implementing democratic governance.
- **Cambodia** is subject to foreign assistance restrictions pursuant to section 7043(c)(2) of the SFOAA, which prohibits assistance to the central government of Cambodia unless the Secretary of State makes certain certifications relating the government of Cambodia's investigation into recent parliamentary elections in Cambodia.
- **Eritrea** is subject to foreign assistance restrictions, including restrictions due to its status as a Tier III country under the Trafficking Victims Protection Act of 2000, as amended, 22 U.S.C. §§7101 et seq.
- **North Korea** is subject to foreign assistance restrictions, including restrictions pursuant to section 7007 of the SFOAA, which prohibits direct assistance to the government of North Korea.
- **Sudan** is subject to foreign assistance restrictions, including restrictions pursuant to section 7042(j) of the SFOAA, which prohibits assistance to the government of Sudan.

- **Syria** is subject to foreign assistance restrictions, including restrictions pursuant to section 7007 of the SFOAA, which prohibits direct assistance to the government of Syria.
- **Zimbabwe** is subject to foreign assistance restrictions, including restrictions pursuant to section 7042(n) of the SFOAA, which prohibits assistance (except for health and education, and macroeconomic growth assistance) for the central government of Zimbabwe unless the Secretary of State determines that the government of Zimbabwe is implementing transparent fiscal policies, including public disclosure of revenues from the extraction of natural resources.

Countries identified above as candidate countries, as well as countries that would be considered candidate countries but for the applicability of legal provisions that prohibit U.S. economic assistance, may be the subject of future statutory restrictions or determinations, or changed country circumstances, that affect their legal eligibility for assistance under part I of the Foreign Assistance Act by reason of application of the Foreign Assistance Act or any other provision of law for FY 2015.

Endnotes

1. Sections 606(a) and (b) of the Act provide that a country will be a candidate for MCA assistance if it (1) has a per capita income equal to or less than the historical ceiling of the International Development Association eligibility for the fiscal year involved (the “low income category”) or (2) is classified as a lower middle income country in the then most recent edition of the World Development Report for Reconstruction and Development published by the International Bank for Reconstruction and Development and has an income greater than the historical ceiling for International Development Association eligibility for the fiscal year involved (the “lower middle income category”); and is not ineligible to receive U.S. economic assistance under part I of the Foreign Assistance Act of 1961, as amended (the Foreign Assistance Act), by reason of the application of the Foreign Assistance Act or any other provision of law.
2. If the language relating to the definition of low income candidate countries is not enacted or is changed for MCC’s FY 2015 appropriations act, MCC will revisit the selection process once the FY 2015 appropriations act is enacted and will conduct the selection process in accordance with the Act and applicable provisions for FY 2015.
3. In FY 2014, the World Bank revised its estimates for Iraq’s gross domestic product per capita and more than doubled its previous estimate. This caused Iraq to transition from a low income country to an upper middle income country without the benefit of gradual reclassification. The removal of Iraq from the both the low income and lower middle income categories means that, as a result, there are only 74 low income countries for FY 2015.
4. MCA assistance to Egypt would be provided to the extent it is deemed to be consistent with the law.